

Small-Employer Health Insurance



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of Insurance

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Updated October 2018

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Get help from TDI

For insurance questions or for help with an insurance-related complaint, call the **Texas Department of Insurance (TDI) Consumer Help Line** at **1-800-252-3439** or visit our website at **tdi.texas.gov**.

Visit **HelpInsure.com** to shop for automobile, homeowners, condo, and renters insurance. Visit **TexasHealthOptions.com** to learn more about health insurance and your options for coverage.

Small employers can choose whether to offer health insurance to their employees. Texas insurance law defines a small employer as a business with two to 50 employees, regardless of how many hours the employees work.

Businesses with fewer than 50 full-time equivalent employees don't have to pay a penalty for not providing health insurance. Federal law defines a full-time employee as one who works at least 30 hours during a typical week. The law counts each 120 hours worked in a month by part-time employees as one full-time equivalent employee.

For example, consider a business with 30 full-time employees who each work at least 120 hours per month and 24 part-time workers who average 80 hours per month.

To convert the part-time employees' hours to full-time equivalent employees, multiply the number of part-time workers by the average number of hours they work each month: $24 \times 80 = 1,920$. Then divide the total by 120: $1,920/120 = 16$. To get the total number of full-time equivalent employees, add this number to the number of full-time employees: $30 + 16 = 46$. The business in this example has 46 full-time equivalent employees and

wouldn't have to pay a penalty for not providing health insurance.

If you provide health insurance

If you provide health insurance, you must offer it to all of your employees who work 30 hours or more each week. You must also offer coverage for their dependents. Business owners can enroll in their small-employer health plan if at least one of their employees also enrolls. The employee can't be a business owner, partner, or family member.

You must give new employees at least 31 days from their start date to enroll in your health plan. If they don't enroll during this period, you can require them to wait for the next open enrollment period to join. The open enrollment period is from November 1 through December 15 of each year. Some employees might have a special enrollment period if they have a life change, like getting married, having a baby, or adopting a child.

You can require employees to wait up to 90 days after they enroll in the health plan for their coverage to start. The insurance company may not charge a premium during this period.

The law doesn't require you to pay an employee's health plan premiums. However, many insurance companies require employers to pay at least 50 percent of their employees' premiums. You may pay a higher percentage if you choose. Insurance companies may raise premiums because of changes in health care costs or the age of your employees. They can't raise premiums because of employees' health.

You might get a tax credit if you provide insurance. To get the tax credit, you must:

- have 25 or fewer full-time equivalent employees;
- pay at least 50 percent of your employees' premiums;
- pay an average annual wage of less than \$50,000; and
- buy a Small Business Health Options Program (SHOP) plan.

SHOP plans are special small-employer health plans sold by private insurance companies. They might not be available in some areas. For more information, visit HealthCare.gov's SHOP program overview page at www.healthcare.gov/small-businesses/provide-shop-coverage/.

Shopping for coverage

You can buy health insurance directly from an insurance company or through an insurance agent or broker. If you need help comparing plans or applying for coverage, you can talk to an assister. Assisters are trained and certified to help small employers get health insurance. To find agents, brokers, and assisters near you, visit HealthCare.gov's local help page at <https://localhelp.healthcare.gov>.

Most insurance companies require at least 75 percent of your full-time employees to participate in your health plan. Employees who have other health coverage don't count when determining the percentage of participating employees.

You usually can buy coverage any time during the year. But if you don't meet the 75 percent participation requirement, an insurance company can make you wait

until the open enrollment period to buy coverage.

Shopping tips

These tips can help you find the best value for your money:

- **Understand how cost-sharing works.** Plans can differ on how the insurance company and your employees share the cost of care. For instance, some plans will pay for 80 percent of a covered service, while other plans will pay 70 percent. Your employees must pay the remaining percentage of the cost. Plans with higher deductibles and employee cost-sharing will have lower premiums, but could cost your employees more in the long run. Higher employee cost-sharing means your employees will have to pay more out of pocket when they get services.
- **Consider factors other than cost, such as a company's financial strength and complaint record.** You can learn a company's financial rating, as determined by an independent rating organization, and complaint record by calling the Consumer Help Line or checking on our website.
- **Buy only from licensed insurance companies.** It's illegal for companies to sell insurance in Texas without a license. If you buy from a company that doesn't have a license, your employees' claims could go unpaid. You can learn whether a company has a license by calling the Consumer Help Line or by viewing the company profiles on our website.
- **Understand that employee health coverage isn't workers' compensation insurance.** Most employee health plans won't pay for work-related injuries or illnesses. For that, you'll need a separate

workers' compensation insurance policy. Worker's compensation insurance pays medical costs and can provide some lost wages for employees who have work-related injuries or illnesses. It won't pay for non-work-related injuries and illnesses or for routine health care. Texas law doesn't require you to have workers' compensation insurance. But if you have it, you'll be legally protected from some lawsuits and damage awards. For more information, read our Workers' Compensation Insurance publication online at www.tdi.texas.gov/pubs/consumer/cb030.html.

How companies set premiums

The health status of your employees won't affect your rates. When setting your premium, insurance companies will consider:

- **Age of your employees.** Older people usually have more expensive and more frequent health-related claims. Your rates will probably be higher if you have an older workforce.
- **Tobacco use.** Federal law allows health plans to charge tobacco users up to 50 percent more. The higher rate is spread among all the group's members. A group with more tobacco users will pay higher rates than a group with fewer tobacco users.
- **Geographic area.** Health care costs vary by region because of differences in the cost of living and the number of providers in the area. Most plans use either the county or ZIP code of your business address to base rates.
- **Type of plan you choose.** Plans can differ on how your employees get care. For instance, some plans

might require your employees to use doctors and providers in the health plan's network. Other plans might let them go to any doctor or provider they choose. In general, plans that use networks will have lower premiums. Your rates will also depend on the cost-sharing level you choose.

Covered services

Federal law requires small-employer plans to cover 10 types of health care services, called essential health benefits. These are:

- outpatient care without being admitted to a hospital;
- emergency services;
- hospitalization and surgery;
- maternity and newborn care;
- mental health and substance use disorder services;
- prescription drugs;
- rehabilitative and habilitative services and devices to help people gain or recover mental and physical skills;
- laboratory services;
- preventive and wellness services and chronic disease management; and
- pediatric services, including oral and vision care.

Plans bought before March 23, 2010, and some plans bought before October 1, 2013, aren't required to cover the essential health benefits. For more information, visit our Mandated Health Benefits web page at www.tdi.texas.gov/hmo/hmmanben.html.

Some plans might cover additional services, like adult dental and vision care and weight management programs.

Insurance companies can't deny or limit coverage to employees with preexisting conditions.

Continuing coverage

Most employees have the option to keep their coverage for a time after they leave their job. You must tell employees about how they can keep their coverage. Former employees who keep their coverage pay the full cost of the plan. You don't have to pay anything toward their premiums.

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Texas Department of Insurance

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Small Employer Health Insurance (cb040)
Updated October 2018